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A GERMAN VIEW OF THE AMERICAN PERIL.

BY DR. WILHELM WENDLANDT, GENERAL SECRETARY OF THE
MANUFACTURERS' ASSOCIATION IN BERLIN.

THE American peril is a problem in arithmetic. It will cause the greatest distress to the party who has made a mistake in his calculations. Viewed from this stand-point, it threatens not Germany alone, nor even Europe alone, but also America itself. The Americans have always been cool calculators, but they err if they suppose that England is the only old country that has learned how to figure.

For thirty years all the European states have directed their whole attention and their accumulated skill of centuries to the practical method of creating values, with a view to the increase of individual and national wealth. The industry of the middle European states, in particular, is the result of this application of the modern intellect. It is just as young as the industry of the United States. But it rests upon very different foundations.

American industry has "grown phenomenally" because, in the main, of the presence in the country of almost all raw materials, and because of the continued immigration of European brains and labor. At the opening of the century the German Imperial Chancellor, like President Roosevelt, was able to speak in the Reichstag of the unexampled progress of the industry of his country. The causes of this other phenomenal growth, which involved a transformation of Germany from an agricultural into an industrial state in the space of three decades, are to be found, aside from the presence of coal and iron in Germany, not only in the mechanical exploitation of raw materials, but particularly in the thorough commercial and scientific training of the people.

German civilization, like that of England, is older by many centuries than that of America. Its antiquity might be regarded

as a disadvantage; but at the present stage of development of the World-Powers it means a measure of advancement, a lead in the race, which cannot by any means be entirely cut down by the progress of a century, much less by that of a generation.

England had a lead over all civilized countries, because it had not been ruined economically by a thirty years' religious war in the seventeenth century. Germany caught up again in the century just past. As regards certain specialties of industry, Germany is the oldest industrial country in the world. As early as the year 1400, the products of the Nuremberg toy industry and German art were known and esteemed in all markets. On these foundations, covered up but not destroyed by the ruins of war, the industry of the German Empire was built up organically and surely when political strength was restored, and that in so short a time that it surprised the Germans themselves. The same is true of German shipping, which has recently made similar astonishing progress.

Parallel with Germany, her neighboring and allied states have developed industrially to a greater or less extent. France has made, comparatively, the least progress. But her exports have recently increased, and her industry would presumably soon recover from its lethargy if the French would courageously lay aside their unhappy thoughts of revenge, which still hang about them like a fashionable dress, and would come to a clear realization of their economic relations to their neighbor states.

Notwithstanding this state of affairs in the European nations, America has sprung a surprise upon old Europe. The fact that this occurrence was not recognized in time by the political leaders and by European manufacturers, and that it is not even yet appreciated at its proper significance, is what constitutes the real core of the American peril to Europe. Not as if America were in a position to surpass old Europe in any direction in the coming centuries; but neglect of the timely and proper use of precautions core of the American peril to Europe. Not as if America were fore, does not consist in a lack, on the part of the inhabitants of the Old World, of the means of protecting themselves, but in their failure to recognize its actual presence.

Here is where Americans have an advantage which they are utilizing at present to the fullest extent with shrewd calculation. Upon this basis their high protective tariff system has grown up,

which has laid in ruins before the eyes of the whole world the doctrine of free trade.

The Dingley bill signifies a complete revolution of the world's economic policy. The European states will be compelled to adjust themselves to it, unless the United States are preparing to remove their almost insurmountable wall of protection. The Dingley tariff, as a whole and in its separate parts, could not be better fitted to arouse the resentment of the entire commercial world of Europe; and one cannot sufficiently admire the forbearance of the states which have submitted since 1896 to a measure equivalent to a revolution in the world of commerce. The conviction is gradually dawning on all thinking men that the adoption of an entirely new commercial law by one World-Power requires a corresponding reconstruction of the commercial laws by the other Powers.

Hence it follows that while the Dingley tariff is a danger to Europe at present, it also involves no less a danger to the United States in the future; for, as soon as Europe, or even the allied states alone, proceed with the same indifference to the interests of others as America has shown, none will be more severely injured than that state whose export trade is now enjoying a "phenomenal growth." If the European markets are closed, even in part only, to the United States, the inevitable result for America will be an industrial crisis of an extent such as the world has never seen.

The development which the trusts are taking is at work even now in the direction of a crisis, such as has been observed at times in the ever-fluctuating fate of the American railroads and banks. Such mighty reverses have not occurred in the states of Europe, neither are they possible. It is not difficult to understand, therefore, why Mr. Roosevelt is paying special attention to the growth of the trusts. As soon as American labor arrays itself against the owners of the trusts, and as soon as immigration materially decreases, as it has begun to do, American industry will be prostrated. Then it will become apparent to what extent the domestic consumer in the United States has been injured, on the one hand by the Dingley tariff—which increases the price of foreign products fifty per cent. on an average—and on the other by the trusts, which compel him to pay their own prices.

The growth of the trusts would not, therefore, be the main

occasion for Europe's adopting a hostile commercial policy towards America. The Dingley tariff, however, is the "*pièce de résistance*" which must be removed or rendered ineffective.

To prove this further a specialized examination of the Dingley tariff is necessary. But before making such an examination we will call to mind the present status of the treaty relations between the United States, Germany, and other states.

The basis of our commercial relations is the treaty of 1828 between Prussia and the United States, which was transferred in 1871 to the combined states of Germany. Then, in 1891, America was included in the "most-favored-nation" clause as regards duties on grain. This perhaps somewhat hastily granted concession was ill-requited by the Americans, who refused us the privileges of the "most favored nation" down to the latest agreement on July 10th, 1900. At present, the German Empire applies the "most-favored-nation" clause, with limitation, to the commercial treaties with Austria-Hungary, Italy, Belgium, Roumania, Russia, Servia, and Switzerland; while the President of the United States proclaimed on July 13th, 1900, that the concessions granted to France, Italy, and Portugal applied also to imports from Germany. This agreement may be abrogated at three months' notice. It is a cause of gratification that the United States have thus abolished differential treatment, especially towards France, and that the enjoyment of the provisions of the second French treaty of July 24th, 1899, seems assured to us as soon as it takes effect. The question, as is well known, is one regarding the most favorable concessions on liqueurs, wines, and the like, which had been granted to France, and it was rather a matter of principle for the German Empire to seek to obtain the same terms. In this we have been successful, but we have done a poor stroke of business, because we have thereby sanctioned America's claim to the privileges of the most-favored-nation clause on the ground of our December treaties with France, Italy, Russia, and Austria; while the concession we have received applies only to the few articles mentioned. However, the principle has some value; we shall be able to use it later as a precedent. The new treaty with France contains, in the main, reductions of duties on classes of goods imported into the United States from Germany, such as chemicals, mineral-waters, toys, gloves, iron and textile goods, and especially knitted goods, laces,

velvets, velveteens, as well as lace trimmings, mixed woven goods, articles of clothing, embroideries, linens, etc. These reductions, to be sure, would not benefit us until they had gone into effect for France.

The American "maximum concession," which differs in principle from the most-favored-nation clause hitherto customary in commercial treaties, is one of the principal causes productive of resistance to the Dingley tariff. It has been truly said that the limited maximum concession of America, which relates essentially to alcoholic beverages, is one in appearance only, and cannot be regarded as in any way an equivalent of exchange with the tariff treaties of the European states.

The maximum concession which European states allow each other on the basis of their treaty tariffs, constitutes a very different foundation for treaties as to the most favored nation from the right of the President to grant reductions on a few articles, which, moreover, it must be said, are of no great importance in industry.

This fact becomes the more evident in view of the enormous increase of duties effected by the Dingley tariff.

A detailed calculation of the duties of the two countries shows that the Dingley tariff imposes an import tax of fifty per cent. of the value of the total imports, or forty-five per cent. of the value of the dutiable goods, while Germany does not quite levy ten per cent. and seventeen per cent. respectively. Comparing, therefore, the total imports, the American protective tariff exceeds the German fivefold, and comparing the dutiable goods, threefold. Moreover, certain important articles of industry must pay the United States Treasury a very much greater rate than the average.

Now, the effect of these enormous duties is increased still further by the specialization of the tariff. Under lumber, for example, it distinguishes five different kinds which are differently taxed, the duty rising from one cent to fifty cents; under glass, there are seven rates; under steel ingots, there are four, the duty rising from two marks to about thirty-five marks per double hundredweight; leather gloves alone comprise nineteen items. Add to this that the Dingley tariff takes cognizance of about ten different measures: "piece," "ton," "pair," "square yard," "square inch," "cubic foot," "gallon," "bushel," etc. These

different terms, of course, frequently occasion unintentional mistakes in the declarations, and of these the appraisers take advantage.

Moreover, a duty by weight is added in many cases to the duty *ad valorem*. This provision is frequently found in the Dingley tariff, where we therefore have a double taxation, according to value and according to weight.

It is worthy of notice, furthermore, how this tariff is handled. The certification of invoices involves great inconvenience to foreign industry. Every invoice exceeding the value of \$100 must be examined and certified by the American consul in the country from which it comes. The consul may require the personal appearance of the manufacturer before him, and even put the manufacturer under oath. The invoice must contain not only the value of the article, but the market and wholesale prices in the principal markets of the country, statements as to time, place, and person of the seller, the actual cost, as well as all expenses, including the value of the packing, such as wooden and paper boxes, bags, etc. Among these expenses are to be considered especially the cost of packing, freight to the shipping port, commissions, transportation, and insurance. The injustice of these demands is in obliging a foreign manufacturer to reveal his methods of production and his business secrets. The German government had recognized this state of affairs, and instructed its envoy some time ago to bring it to the notice of the American government. The answer was that nothing could be done until the objectionable provision of the law was changed.

This provision of the Dingley tariff is so vexatious that the Manufacturers' Association has submitted a request to the Prussian Minister of Commerce, the German Bundesrath and the Reichstag to add to the new German tariff law a provision which would enable Germany eventually to make the same demands. This clause or provision is to be about as follows: The German Empire shall have the right of immediately taking like measures towards countries that require certificates of origin, shipping duties, especially high licenses for commercial travellers, and the like, so that the battle may be waged with equal weapons on both sides.

The functions of the appraisers in America are a downright Draconic institution. They have full power and are supported

by the government in such a way that hardly anything can be done against them. There is nothing left to do but to pay what they demand; for protests result in protracted lawsuits, and the importer is in reality dispossessed as against the American manufacturer.

If the slightest undervaluation is proved, very high fines immediately become operative. If, for example, the appraised value exceeds the amount declared, one per cent. of the appraised value is added.

According to our view, it is to our mutual interest to reach some understanding conducive to the welfare of the two nations on the basis of a consideration of the facts of the case. There is no doubt that the foundations from which the European states have risen are already menaced by the aggressive economic policy of the United States, and there is also no doubt that Europe is arming in an economic sense against America. Inducements to do so are furnished by the statistics. Those relating to the foreign trade of Germany and America may be taken as evidence of the necessity for the Germans ceasing to remain inactive spectators of their course of development.

According to American authorities, the total imports into America in 1891 were valued at 3,497 millions of marks, and the exports at 3,663 millions. After ten years, the imports were 3,482 millions, and the exports 6,103 millions. While, therefore, the imports remained stationary, the exports doubled.

The share of Germany in this was as follows: In 1891, Germany was still exporting more to America than she received from that country, the amount being 409 millions of marks against 385 millions. In 1900, German exports were 434 millions, an insignificant rise in view of the fact that the population of America had greatly increased. On the other hand, the imports into Germany from America doubled in the ten years. They are 830 millions of marks.

German authorities afford a picture of still sharper contrasts, for the American authorities may have a certain interest in not making the contrasts appear too sharp. German authorities have it that American exports to Germany in 1891 were 457, and had risen in 1900 to 1,021 millions. German exports, on the other hand, had risen from 358 to 440 millions. In both cases, then, German statistics show a greater increase. But, then, this gives

a proportion as between American exports to Germany and German exports to America of 10 to 4.

Comparing the most important items of export and import in the course of the last ten years, we find that Germany received from America raw cotton valued at 140.2 millions of marks in 1890, but 258.8 millions in 1900. This increase might really be a source of satisfaction to us, for it shows that German industry has used more raw material. Other items, however, are very uncomfortable reading. It is sure to be felt painfully by the agricultural population that the importation of wheat increased from 8.8 to 60.6 millions of marks in the ten years mentioned. Our mining industry has seen the importation of copper rise in ten years from 0.4 to 101.4 millions of marks. Dried fruit has risen from 1.4 to 11.9, oil-cake from 7 to 23, lard from 47 to 87, petroleum from 62.1 to 71.1 millions. As it is more a question of raw materials for America, the same line of evidence would not be so important, but the converse is the more serious. In the same ten years, the German exportation of cotton hosiery has fallen off from 35 to 25, musical instruments from 10.1 to 2.6, silk garments, underwear, etc., from 5.8 to 0.3, woollen garments, underwear, etc., from 5.7 to 3.5, fine leather goods from 12.3 to 3.2, half-silk fabrics, cloths, shawls, from 63.2 to 19.9, linen damask from 3.1 to 0.7, photographic paper from 2.5 to 0.3, and, finally, woollen cloths and unprinted fabrics from 27.4 to 7.3 millions of marks.

This picture, however, assumes a much more unfavorable aspect if we call to mind the percentage of industrial products to that of agricultural products or raw materials in the exports of the United States. The figures furnished by the Treasury Department in Washington itself show that forty years ago industrial products formed only 12.76 per cent. of American exports, while during the last fiscal year they were 31.54 per cent. In ten years the share of industry in the exports has doubled. The money value figures out as follows: Forty years ago, the exports of industrial products were, in round numbers, 40 millions of dollars; thirty years ago, 68 millions; twenty years ago, 102 millions; ten years ago, 157 millions; five years ago, 183 millions; and last year, 432 millions of dollars. This means an increase of 136 per cent. within five years. Cotton and petroleum are now no longer at the head of the export list, as they were formerly;

there has been a revolution, and the top is now occupied by iron and steel products amounting to 122 millions of dollars. Only five years ago, the exports in this branch were only 32 millions, and ten years ago, 25.5 millions of dollars. The increase in five years is therefore nearly 300 per cent. These calculations may be extended to other products in which we are equally interested; thus the exports of leather and leather goods rose in ten years from 12 to 27 million dollars, cotton goods from 10 to 24 million, agricultural implements from 4 to 16, chemicals from 5 to 13, wooden wares from 6.5 to 11, paraffine articles from 2.4 to 8.6, paper goods from 1.2 to 6.2, tobacco goods from 3.9 to 6 million dollars. Only thirty years ago, the value of all the exports of the United States in agriculture, mining, forestry, fishery, and other products was hardly greater than that of the industrial exports alone is now.

The characteristic of the American peril is that it does not menace any single European country, but all European commercial states alike, and, last but not least, the United States itself. The natural consequence of this condition of affairs is that it creates the necessity for common resistance on the part of all the states affected by it against the common aggressor.

Historically, the idea of a European customs union is about twenty years old.

In 1879, when Bismarck was preparing the new German tariff, the French were the first to suggest a combination of the middle European states against the American peril, which, however, at that time chiefly menaced European agriculture. This idea, emanating from the French political economist, G. de Molinari, was again taken up by the International Agricultural Congress in Pesth in 1885. When the McKinley tariff went into effect, in the fall of 1890, it produced indignation in all the more important European states, and new voices were raised for a general commercial union of Europe. Count Caprivi also recognized the danger, and expected to make a nearer approach to an understanding among the European states on the subject of customs by means of the commercial treaties he recommended at the close of 1891. At the International Agricultural Congress of Pesth in 1896, the idea was again taken up. Among German parliamentarians, Dr. Hammacher and Count Kanitz pointed out, with especial reference to the industrial development of the United

States, that the instinct of self-preservation must compel the European states to seek for mutual support for defence against America. As is shown by Crispi's papers, which have recently been published, that Italian statesman, when negotiating with Caprivi in 1893 for the Triple Alliance, mentioned as one condition that Germany should not give up the idea of a middle European customs union.

Since 1897, the idea of common resistance to the American policy of prohibitive duties has not been abandoned in the states of Europe, but has been vigorously discussed on all sides. Before that, there had not been any official utterances on this subject, but now a more or less positive recognition of the necessity of a common defence has been made by the Austrian and the Hungarian Minister of Agriculture, the Spanish government, the French Minister of Commerce, and, finally, Count Goluchowski, the Austro-Hungarian Minister of Foreign Affairs.

How far the negotiations initiated by the Manufacturers' Association with the representatives of industry and commerce of the European states have progressed, is not at this time communicated to the public. We must not fail to recognize, however, that since 1897 the chances are essentially more favorable for a European customs union. At that time, England did not seem convinced that the American invasion could ever be a serious danger to her; but at the present day the commercial relations of France, as well as England, towards Germany have greatly altered. It has turned out that England is menaced more than any other state. The English statesman, Sir Charles Dilke, has recently argued in *Figaro* that the powerful competition of America is to be regarded as one of those motives, independent of friendliness or aversion, which are calculated to make European nations more tractable, if not more disposed to act together.

The idea of a European customs union supported by English statesmen will not again disappear from the scene. The provoking commercial policy of the Americans is creating a world of enemies. If the United States continues its policy to the point where the European states, in addition to the means now at their individual command, adopt a common resistance to its gross selfishness, the time is not distant when the American peril to Europe will be converted into a European peril to America.

WILHELM WENDLANDT.